

Audited
Financial
Statements

December 31,
2021

Borough of Orwigsburg

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INDEPENDENT AUDITOR'S REPORT

Borough Council
Borough of Orwigsburg
Orwigsburg, Pennsylvania

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Orwigsburg, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Borough of Orwigsburg's basic financial statements as listed in the table of contents.

Qualified Opinions on the Governmental Activities, Business-Type Activities, and the Water, Sewer and Sanitation Enterprise Funds

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities, Business-Type Activities and the Water, Sewer and Sanitation Enterprise Funds of the Borough of Orwigsburg, as of December 31, 2021, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Each Major Governmental Fund and the Aggregate Remaining Fund Information

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the Borough of Orwigsburg, as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough of Orwigsburg, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matter Giving Rise to Qualified Opinions on the Governmental Activities, Business-Type Activities, and the Water, Sewer and Sanitation Enterprise Funds

As explained in Notes 1 and 8 to the financial statements, the pension asset (liability) and the deferred inflow of resources, deferred outflow of resources and expenses related to pension asset (liability) for Borough of Orwigsburg are not properly recorded in the financial statements. Accounting principles generally accepted in the United States of America require the pension asset (liability) and related deferred inflow of resources and deferred outflow of resources to be measured based on a date no earlier than the end of the employer's prior fiscal year. The effects on the accompanying financial statements of the failure to use the proper measurement date for the pension asset (liability) and related deferred inflow of resources and deferred outflow of resources have not been determined.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Borough of Orwigsburg, Pennsylvania's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Borough of Orwigsburg, Pennsylvania's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Borough of Orwigsburg, Pennsylvania's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison and schedules related to pension and OPEB liabilities on Pages 40 through 44 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. Although our opinion on the basic financial statements is not affected, the following material departures from the prescribed guidelines exist. As described in the Basis for Qualified and Unmodified Opinions section of our report, current information necessary to present the 2021 required supplementary information for the pension plans was not available and therefore, this information is excluded from the required pension schedules for the year ended December 31, 2021. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Borough of Orwigsburg, Pennsylvania's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United

States of America. In our opinion, except for the effects on the supplementary information of the qualified opinion on the basic financial statements as explained in the Basis for Qualified and Unmodified Opinions section of our report, the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Smith Elliott Hanna & Company LLC

Carlisle, Pennsylvania

April 19, 2022

BOROUGH OF ORWIGSBURG
Statement of Net Position
December 31, 2021

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,510,334	\$ 628,422	\$ 2,138,756
Taxes receivable, net of allowance	236,780	-	236,780
Accounts receivable, net of allowance	-	465,582	465,582
Escrow receivable	29,731	-	29,731
Internal balances	26,221	(26,221)	-
Prepaid expenses	7,317	6,997	14,314
Total current assets	<u>1,810,383</u>	<u>1,074,780</u>	<u>2,885,163</u>
Noncurrent assets			
Capital assets not being depreciated			
Land	291,228	84,612	375,840
Construction in progress	165,895	820,565	986,460
Capital assets net of accumulated depreciation			
Buildings and improvements	961,344	839,849	1,801,193
Land improvements	367,846	-	367,846
Equipment	166,786	199,997	366,783
Recreation assets	106,105	-	106,105
Sewer plant	-	3,255,505	3,255,505
Sewer line improvements	-	815,364	815,364
Vehicles	38,942	59,619	98,561
Water distribution system	-	3,139,317	3,139,317
Restricted cash	-	5,608,478	5,608,478
Net pension asset	1,190,296	-	1,190,296
Total noncurrent assets	<u>3,288,442</u>	<u>14,823,306</u>	<u>18,111,748</u>
Total assets	<u>5,098,825</u>	<u>15,898,086</u>	<u>20,996,911</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension asset/liability	170,799	132,217	303,016
Deferred outflows related to OPEB liability	927	-	927
Total deferred outflows of resources	<u>171,726</u>	<u>132,217</u>	<u>303,943</u>
Total assets and deferred outflows of resources	<u>\$ 5,270,551</u>	<u>\$ 16,030,303</u>	<u>\$ 21,300,854</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 39,400	\$ 40,230	\$ 79,630
Accrued payroll withholdings	41,102	3,706	44,808
Accrued interest payable	-	84,650	84,650
Escrow payable	13,537	-	13,537
Unearned revenue	114,492	-	114,492
Long-term liabilities: Due within one year			
Bonds and notes payable, net	20,404	345,719	366,123
Capital lease payable	-	11,870	11,870
Compensated absences	35,138	-	35,138
Total current liabilities	<u>264,073</u>	<u>486,175</u>	<u>750,248</u>
Noncurrent liabilities			
Long-term liabilities: Due in more than one year			
Bonds and notes payable, net	34,350	10,595,000	10,629,350
Compensated absences	145,157	-	145,157
Net pension liability	128,255	211,818	340,073
Total OPEB liability	<u>64,753</u>	<u>-</u>	<u>64,753</u>
Total noncurrent liabilities	<u>372,515</u>	<u>10,806,818</u>	<u>11,179,333</u>
Total liabilities	<u>636,588</u>	<u>11,292,993</u>	<u>11,929,581</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension asset/liability	389,325	162,991	552,316
Deferred inflow related to OPEB liability	<u>2,524</u>	<u>-</u>	<u>2,524</u>
Total deferred inflows of resources	<u>391,849</u>	<u>162,991</u>	<u>554,840</u>
NET POSITION			
Net investment in capital assets	2,043,392	3,870,717	5,914,109
Restricted	1,343,164	-	1,343,164
Unrestricted	<u>855,558</u>	<u>703,602</u>	<u>1,559,160</u>
Total Net Position	<u>4,242,114</u>	<u>4,574,319</u>	<u>8,816,433</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 5,270,551</u>	<u>\$ 16,030,303</u>	<u>\$ 21,300,854</u>

BOROUGH OF ORWIGSBURG
Statement of Activities
Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 346,817	\$ 121,238	\$ 91,148	\$ -	\$ (134,431)	\$ -	\$ (134,431)
Public safety	795,583	26,440	33,826	-	(735,317)	-	(735,317)
Public works - highways	431,794	19,677	106,100	-	(306,017)	-	(306,017)
Culture and recreation	275,267	-	40,000	-	(235,267)	-	(235,267)
Interest expense	6,739	-	-	-	(6,739)	-	(6,739)
Total governmental activities	<u>1,856,200</u>	<u>167,355</u>	<u>271,074</u>	<u>-</u>	<u>(1,417,771)</u>	<u>-</u>	<u>(1,417,771)</u>
Business-type activities							
Water	725,897	793,209	-	-	-	67,312	67,312
Sewer	892,531	879,803	-	-	-	(12,728)	(12,728)
Sanitation	<u>305,949</u>	<u>325,211</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,262</u>	<u>19,262</u>
Total business-type activities	<u>1,924,377</u>	<u>1,998,223</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,846</u>	<u>73,846</u>
Total primary government	<u>\$ 3,780,577</u>	<u>\$ 2,165,578</u>	<u>\$ 271,074</u>	<u>\$ -</u>	<u>(1,417,771)</u>	<u>73,846</u>	<u>(1,343,925)</u>
General revenues and transfers:							
Taxes:							
Property taxes, levied for general purposes					737,790	-	737,790
Fire tax					70,327	-	70,327
Real estate transfer tax					68,099	-	68,099
Earned income tax					502,794	-	502,794
Other taxes					91,264	-	91,264
Investment earnings					927	2,704	3,631
Miscellaneous income					13,147	1,930	15,077
Gain (loss) on disposal of capital asset					-	(4,198)	(4,198)
Transfers					<u>235,346</u>	<u>(235,346)</u>	<u>-</u>
Total general revenues and transfers					<u>1,719,694</u>	<u>(234,910)</u>	<u>1,484,784</u>
Change in net position					301,923	(161,064)	140,859
Net position - beginning					<u>3,940,191</u>	<u>4,735,383</u>	<u>8,675,574</u>
Net position - ending					<u>\$ 4,242,114</u>	<u>\$ 4,574,319</u>	<u>\$ 8,816,433</u>

BOROUGH OF ORWIGSBURG
Balance Sheet – Governmental Funds
December 31, 2021

	General Fund	Capital Reserve Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 167,898	\$ 1,257,542	\$ 84,894	\$ 1,510,334
Taxes receivable, net	234,345	-	2,435	236,780
Escrows receivable	29,731	-	-	29,731
Due from other funds	26,221	-	-	26,221
Prepaid items	7,317	-	-	7,317
Total assets	<u>\$ 465,512</u>	<u>\$ 1,257,542</u>	<u>\$ 87,329</u>	<u>\$ 1,810,383</u>
LIABILITIES				
Accounts payable	\$ 35,195	\$ 4,205	\$ -	\$ 39,400
Escrows payable	13,537	-	-	13,537
Accrued wages, benefits and withholdings	41,102	-	-	41,102
Unearned revenue	114,492	-	-	114,492
Total liabilities	<u>204,326</u>	<u>4,205</u>	<u>-</u>	<u>208,531</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable tax revenue	<u>55,625</u>	<u>-</u>	<u>1,701</u>	<u>57,326</u>
FUND BALANCES				
Nonspendable	7,317	-	-	7,317
Restricted	4,199	1,253,337	85,628	1,343,164
Committed	97,765	-	-	97,765
Unassigned	96,280	-	-	96,280
Total fund balances	<u>205,561</u>	<u>1,253,337</u>	<u>85,628</u>	<u>1,544,526</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 465,512</u>	<u>\$ 1,257,542</u>	<u>\$ 87,329</u>	<u>\$ 1,810,383</u>

BOROUGH OF ORWIGSBURG**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2021**

Total fund balance - governmental funds \$ 1,544,526

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position:

Cost of assets	3,603,999	
Accumulated depreciation	<u>(1,505,853)</u>	
		2,098,146

Taxes receivable will be collected in the future, but are not available soon enough to pay for the current period's expenditures, and therefore are not recorded in the fund financial statement.

57,326

Long-term liabilities are not due and payable in the current period and are not included in the fund balance sheet, but are included in the governmental activities of the Statement of Net Position. Long-term liabilities and related deferred inflows and outflows of resources consist of:

Note payable	(54,754)	
Compensated absences	(180,295)	
Net pension asset (liability), net	1,062,041	
Deferred outflows related to pension liability	170,799	
Deferred inflows related to pension liability	(389,325)	
Total OPEB liability	(64,753)	
Deferred outflows related to OPEB liability	927	
Deferred inflows related to OPEB liability	<u>(2,524)</u>	
		542,116

Total net position - governmental activities	<u>\$ 4,242,114</u>
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BOROUGH OF ORWIGSBURG
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds
Year Ended December 31, 2021

	General Fund	Capital Reserve Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,392,254	\$ -	\$ 68,626	\$ 1,460,880
Licenses and permits	68,815	-	-	68,815
Local support	200	-	-	200
Fines and forfeits	15,693	-	-	15,693
Interest and rents	38,303	857	9	39,169
Intergovernmental	147,058	-	125,526	272,584
Charges for services	44,205	-	-	44,205
Miscellaneous	9,778	-	-	9,778
Total revenues	<u>1,716,306</u>	<u>857</u>	<u>194,161</u>	<u>1,911,324</u>
EXPENDITURES				
General government	341,035	83,076	-	424,111
Public safety				
Police department	715,379	-	-	715,379
Emergency services	35,000	-	24,695	59,695
Planning and zoning	58,498	-	-	58,498
Public works				
Highways	313,187	100,259	88,315	501,761
Other	12,681	-	-	12,681
Culture and recreation	185,173	-	-	185,173
Debt service	29,252	-	-	29,252
Total expenditures	<u>1,690,205</u>	<u>183,335</u>	<u>113,010</u>	<u>1,986,550</u>
Excess (deficiency) of revenues over expenditures	<u>26,101</u>	<u>(182,478)</u>	<u>81,151</u>	<u>(75,226)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	7,551	-	-	7,551
Refund of prior year revenues	(10)	-	-	(10)
Transfers in	10,521	375,926	-	386,447
Transfers out	(97,926)	(53,175)	-	(151,101)
Total other financing sources (uses)	<u>(79,864)</u>	<u>322,751</u>	<u>-</u>	<u>242,887</u>
Net change in fund balances	(53,763)	140,273	81,151	167,661
Fund balances - beginning	<u>259,324</u>	<u>1,113,064</u>	<u>4,477</u>	<u>1,376,865</u>
Fund balances - ending	<u>\$ 205,561</u>	<u>\$ 1,253,337</u>	<u>\$ 85,628</u>	<u>\$ 1,544,526</u>

BOROUGH OF ORWIGSBURG
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
Year Ended December 31, 2021

Net change in fund balances - total governmental funds	\$ 167,661
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense differs from capital outlays in the period:

Depreciation expense	(153,176)	
Capital outlays	222,272	
Disposal of capital assets	<u>(4,182)</u>	
		64,914

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

<u>8,084</u>	8,084
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Governmental funds report the issuance of debt as current financial resources and the payment of debt principal as an expenditure. In contrast, the Statement of Activities treats such issuance/repayments as additions/reduction in long-term liabilities:

Repayment of long term obligations	<u>22,513</u>	22,513
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the difference between the amount incurred and the amount paid of:

Net pension asset/(liability) and related deferred outflows and inflows	(4,023)	
Total OPEB liability	35,863	
Compensated absences	<u>6,911</u>	
		<u>38,751</u>

Change in net position - governmental activities	<u>\$ 301,923</u>
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BOROUGH OF ORWIGSBURG
Statement of Net Position – Proprietary Funds
December 31, 2021

	Enterprise Funds			
	Sewer	Water	Sanitation	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 417,375	\$ 207,421	\$ 3,626	\$ 628,422
Accounts receivable, net	240,614	212,227	12,741	465,582
Due from other funds	-	67,511	-	67,511
Prepaid expenses	3,228	3,269	500	6,997
Total assets	<u>661,217</u>	<u>490,428</u>	<u>16,867</u>	<u>1,168,512</u>
Noncurrent assets				
Capital assets not being depreciated:				
Construction in progress	820,565	-	-	820,565
Land	39,532	45,080	-	84,612
Capital assets being depreciated:				
Buildings and system	1,611,930	-	-	1,611,930
Equipment	190,325	163,022	-	353,347
Sewer plant	8,257,139	-	-	8,257,139
Vehicles	44,854	46,854	-	91,708
Water distribution system	-	8,503,184	-	8,503,184
Less accumulated depreciation	(5,239,608)	(5,268,049)	-	(10,507,657)
Restricted cash	<u>5,608,478</u>	<u>-</u>	<u>-</u>	<u>5,608,478</u>
Total noncurrent assets	<u>11,333,215</u>	<u>3,490,091</u>	<u>-</u>	<u>14,823,306</u>
Total assets	<u>11,994,432</u>	<u>3,980,519</u>	<u>16,867</u>	<u>15,991,818</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension liability	<u>51,412</u>	<u>66,226</u>	<u>14,579</u>	<u>132,217</u>
Total assets and deferred outflows of resources	<u>\$ 12,045,844</u>	<u>\$ 4,046,745</u>	<u>\$ 31,446</u>	<u>\$ 16,124,035</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 29,678	\$ 10,098	\$ 454	\$ 40,230
Accrued wages payable	2,436	1,270	-	3,706
Accrued interests payable	73,412	11,238	-	84,650
Due to other funds	69,715	9,201	14,816	93,732
Long-term liabilities: Due within one year				
Bonds and notes payable, net	201,259	144,460	-	345,719
Capital lease payable	<u>5,935</u>	<u>5,935</u>	<u>-</u>	<u>11,870</u>
Total current liabilities	<u>382,435</u>	<u>182,202</u>	<u>15,270</u>	<u>579,907</u>
Noncurrent liabilities				
Long-term liabilities: Due in more than one year				
Bonds and notes payable, net	8,766,557	1,828,443	-	10,595,000
Capital lease payable	-	-	-	-
Net pension liability	<u>82,363</u>	<u>106,099</u>	<u>23,356</u>	<u>211,818</u>
Total noncurrent liabilities	<u>8,848,920</u>	<u>1,934,542</u>	<u>23,356</u>	<u>10,806,818</u>
Total liabilities	<u>9,231,355</u>	<u>2,116,744</u>	<u>38,626</u>	<u>11,386,725</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension liability	<u>78,113</u>	<u>80,834</u>	<u>4,044</u>	<u>162,991</u>
NET POSITION				
Net investment in capital assets	2,359,464	1,511,253	-	3,870,717
Unrestricted	<u>376,912</u>	<u>337,914</u>	<u>(11,224)</u>	<u>703,602</u>
Total net position	<u>2,736,376</u>	<u>1,849,167</u>	<u>(11,224)</u>	<u>4,574,319</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 12,045,844</u>	<u>\$ 4,046,745</u>	<u>\$ 31,446</u>	<u>\$ 16,124,035</u>

BOROUGH OF ORWIGSBURG
Statement of Revenues, Expenses, and Changes in Fund Net Position –
Proprietary Funds
Year Ended December 31, 2021

	Enterprise Funds			
	Sewer	Water	Sanitation	Total
OPERATING REVENUES				
Charges for services	\$ 879,803	\$ 793,209	\$ 325,211	\$ 1,998,223
Total operating revenues	<u>879,803</u>	<u>793,209</u>	<u>325,211</u>	<u>1,998,223</u>
OPERATING EXPENSES				
Personal services	186,438	222,794	47,167	456,399
Contractual and professional services	70,938	68,050	250,609	389,597
Maintenance	47,111	28,632	-	75,743
Supplies and administrative expense	36,869	56,415	8,866	102,150
Insurance premiums	10,985	12,431	-	23,416
Utilities	55,700	27,830	-	83,530
Depreciation	<u>215,127</u>	<u>262,986</u>	<u>-</u>	<u>478,113</u>
Total operating expenses	<u>623,168</u>	<u>679,138</u>	<u>306,642</u>	<u>1,608,948</u>
Operating income (loss)	<u>256,635</u>	<u>114,071</u>	<u>18,569</u>	<u>389,275</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	2,704	-	-	2,704
Other nonoperating revenues	1,272	658	-	1,930
Gain/(loss) on sale of capital assets	(1,422)	(2,776)	-	(4,198)
Interest expense	<u>(268,670)</u>	<u>(46,759)</u>	<u>-</u>	<u>(315,429)</u>
Total nonoperating revenues (expenses)	<u>(266,116)</u>	<u>(48,877)</u>	<u>-</u>	<u>(314,993)</u>
Income (loss) before transfers	(9,481)	65,194	18,569	74,282
Transfers in	21,327	21,327	-	42,654
Transfers out	<u>-</u>	<u>(189,000)</u>	<u>(89,000)</u>	<u>(278,000)</u>
Change in net position	11,846	(102,479)	(70,431)	(161,064)
Total net position - beginning	<u>2,724,530</u>	<u>1,951,646</u>	<u>59,207</u>	<u>4,735,383</u>
Total net position - ending	<u>\$ 2,736,376</u>	<u>\$ 1,849,167</u>	<u>\$ (11,224)</u>	<u>\$ 4,574,319</u>

BOROUGH OF ORWIGSBURG
Statement of Cash Flows – Proprietary Funds
Year Ended December 31, 2021

	Enterprise Funds			
	Sewer	Water	Sanitation	Total
Cash flows from operating activities				
Receipts from customers	\$ 898,890	\$ 804,720	\$ 326,773	\$ 2,030,383
Payments to suppliers for goods and services	(313,399)	(222,216)	(259,482)	(795,097)
Payments to and on behalf of employees	(152,479)	(204,326)	(30,842)	(387,647)
Net cash provided by operating activities	<u>433,012</u>	<u>378,178</u>	<u>36,449</u>	<u>847,639</u>
Cash flows from capital and related financing activities				
Acquisition/construction of capital assets	(729,073)	(37,577)	-	(766,650)
Proceeds from sale of capital assets		2,550		
Principal paid on capital lease	(17,311)	(17,311)	-	(34,622)
Principal paid on long-term debt	(126,500)	(103,500)	-	(230,000)
Interest and capital charges on fiscal debt	(302,495)	(54,228)	-	(356,723)
Net cash provided (used) by capital and related financing activities	<u>(1,175,379)</u>	<u>(210,066)</u>	<u>-</u>	<u>(1,387,995)</u>
Cash flows from non-capital financing activities				
Transfer to other funds	-	(189,000)	(89,000)	(278,000)
Transfer from other funds	<u>21,327</u>	<u>21,327</u>	<u>-</u>	<u>42,654</u>
Net cash provided (used) by non-capital financing activities	<u>21,327</u>	<u>(167,673)</u>	<u>(89,000)</u>	<u>(235,346)</u>
Cash flows from investing activities				
Interest and dividend received	<u>2,704</u>	<u>-</u>	<u>-</u>	<u>2,704</u>
Net cash provided by investing activities	<u>2,704</u>	<u>-</u>	<u>-</u>	<u>2,704</u>
Net increase (decrease) in cash and cash equivalents	(718,336)	439	(52,551)	(772,998)
Cash and cash equivalents - beginning of the year	<u>6,744,189</u>	<u>206,982</u>	<u>56,177</u>	<u>7,007,348</u>
Cash and cash equivalents - end of the year	<u>\$ 6,025,853</u>	<u>\$ 207,421</u>	<u>\$ 3,626</u>	<u>\$ 6,234,350</u>
Reconciliation of cash and cash equivalents				
Cash and cash equivalents	\$ 417,375	\$ 207,421	\$ 3,626	\$ 628,422
Restricted cash	<u>5,608,478</u>	<u>-</u>	<u>-</u>	<u>5,608,478</u>
	<u>\$ 6,025,853</u>	<u>\$ 207,421</u>	<u>\$ 3,626</u>	<u>\$ 6,236,900</u>
Reconciliation of income (loss) from operations to net cash provided by operating activities				
Operating income (loss)	\$ 256,635	\$ 114,071	\$ 18,569	\$ 389,275
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization expense	215,127	262,986	-	478,113
Other nonoperating revenues	1,272	658	-	1,930
(Increase) decrease in:				
Accounts receivable	17,815	10,853	1,562	30,230
Due from other funds	-	(27,905)	-	(27,905)
Prepaid expenses	76	72	-	148
Increase (decrease) in:				
Accounts payable	(76,171)	(1,025)	(7)	(77,203)
Due to other funds	20,484	11,057	16,952	48,493
Net pension liability	(2,226)	7,411	(627)	4,558
Net cash provided by operating activities	<u>\$ 433,012</u>	<u>\$ 378,178</u>	<u>\$ 36,449</u>	<u>\$ 847,639</u>

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Borough of Orwigsburg, Pennsylvania, operates under a strong council-weak mayor-manager form of government and provides the following services as authorized by the Borough Code: Public Safety – Police and Fire, Highways and Streets, Sanitation, Public Service, Culture – Recreation, Public Improvements, Planning and Zoning, and General Administrative Services.

The financial statements of the Borough of Orwigsburg (the Borough) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Borough's accounting policies are described below.

Reporting Entity

The GASB defines the criteria used to determine the composition of the reporting entity. It requires that the reporting entity include (a) the primary government, (b) organizations for which the primary government is financially accountable (c) organizations that are fiscally dependent on the primary government and a financial benefit or burden exists, and (d) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for the governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation in some manner for the debt of the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

Based upon the application of these criteria, the following is a brief review of the potential component unit addressed in defining the government's reporting entity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The following component unit meets the criteria for blended presentation and is included within the reporting entity:

- The Municipal Authority of the Borough of Orwigsburg (the “Authority”) is governed by a board appointed by Borough Council. The Authority owns the sewer plant which services the Borough of Orwigsburg entirely. The Authority was formed for the purpose of providing long-term financing to construct and equip its sewer plant and facilities. The plant facilities acquired by the Authority are operated and maintained by the Borough under the provisions of a long-term capital lease.
- Members of the Authority Board are appointed by the Borough, but the Borough has no power to remove a member of a board of an authority organized under the Municipality Authorities Act. The Authority has no employees. The operation of the sewer system is carried out by Borough employees.
- The activities are reflected in the Enterprise Funds and combined with the Borough sewer fund for reporting purposes.

Joint Ventures

Blue Mountain Recreation Authority

The Borough is one of ten members participating in the operation of the Blue Mountain Recreation Authority (the “Recreation Authority”). The Recreation Authority is operated, administered, and managed by a joint operating committee consisting of twenty members with two being appointed by the Borough. These members are appointed by their respective governing body and at least one member from each body shall be a member of the governing body appointing them. During 2021, the Borough incurred \$ 45,152 for their share of these services.

Fund Accounting

The accounts of the Borough are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance/net position, revenue, and expenditures/expenses. The various funds of the primary government are segregated into the categories of governmental, proprietary, and fiduciary.

Governmental Funds

Governmental Funds are those through which most governmental functions of the Borough are financed. The measurement focus is on the flow of expendable resources, rather than on net earnings determination.

The Borough reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Borough. This fund is used to account for all financial transactions except those required to be accounted for in another fund. This is a budgeted fund, and any unassigned fund balances are considered as resources available for use.

Capital Reserve Fund - This fund is used to set monies aside for future capital improvements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

The Borough reports the following nonmajor governmental funds:

Highway Aid Fund – is used to account for the proceeds and disposition of state liquid fuels entitlements that are legally restricted to expenditures for specific purposes, primarily building and maintaining local roads and bridges.

Fire Fund – is used to account for the proceeds and disposition of assessment of real estate taxes specific for purposes relating to emergency services provided by the Friendship Hose Company Number 1.

Proprietary Funds

The Borough reports the following major enterprise funds:

Sewer Department – Provides wastewater treatment services for the Borough of Orwigsburg, its residents, commercial establishments, and various customers located within the neighboring areas. This fund is presented as a combination of the Borough's sewer fund and the blended component unit Municipal Authority.

Water Department – Provides water and related services, including laboratory analyses, to the Borough of Orwigsburg, its residents, business establishments and various customers within the proximity of the Borough.

Sanitation Department – Provides trash and garbage removal for the Borough of Orwigsburg, its residents, and commercial establishments throughout the Borough.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the Borough under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Borough's own programs. Custodial funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Borough has no fiduciary funds.

Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and Statement of Activities display information about the Borough as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The Borough's public safety, highways, culture and recreation, and general administrative services are classified as governmental activities. The statements distinguish between these activities of the Borough that are governmental and that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financials but differs from the manner in which governmental fund financials are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and statements for governmental funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities, and for each function or program of the Borough's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient for the goods or services offered by the program and grants and contributions that are restricted to meeting the operation or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Borough, with certain limited exceptions. The comparison of direct expenses and program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Borough.

Fund Financial Statements – Fund financial statements report detailed information about the Borough. The focus of the governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The major fund concept does not apply to fiduciary funds and they are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reported on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (i.e., revenues) and decreases (i.e. expenses) in net position. The Statement of Cash Flows provides information about how the Borough finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets plus deferred outflows of resources less deferred inflows of resources and total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the Statement of Net Position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers tax and other revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific Borough expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as unearned revenues until earned. If time requirements are not met, a deferred inflow of resources would be recorded. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Accounting principles generally accepted in the United States of America require the pension asset (liability) and related deferred inflows of resources and deferred outflows of resources to be measured based on a date no earlier than the end of the employer's prior fiscal year. The pension asset (liability) and related deferred inflows of resources, and deferred outflows of resources reported for the year ended December 31, 2021, is based on information from the pension plan as of December 31, 2019 because current information was unavailable from the plan. The effects of this departure could not be determined.

Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less.

Prepaid Items/Expenses

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items/expenses and are accounted for on the consumption method.

Statement of Cash Flows

For purposes of the statement of cash flows presented for proprietary funds, the Borough considers all highly liquid investments, including restricted assets, with maturities of three months or less when purchased, to be cash equivalents.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds and generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary fund are reported both in the business-type activity column of the government-wide statement of net position and in the respective fund.

BOROUGH OF ORWIGSBURG

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets, which include property, plant, equipment, sewer and water systems, and infrastructure assets (e.g., roads, bridges, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Borough as assets with an initial, individual cost in excess of \$ 1,000 and an estimated useful life in excess of one year.

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition value on the date received. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	15 - 40
Buildings and improvements	10 - 40
Equipment	8 - 15
Recreation assets	5 - 30
Sewer plant	40
Sewer line improvements	50
Water distribution system	15 - 40
Vehicles	5 - 8

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Borough has various item that qualifies for reporting in this category for the various amounts related to pension asset (liabilities) and OPEB liability. These amounts will be amortized in future periods.

In addition to liabilities, the statement of net position and Balance Sheet - Governmental Funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Borough has several items which qualify for reporting in this category. Unavailable revenue from taxes are considered a deferred inflow of resources on the Balance Sheet - Governmental Funds, and various items related to pension asset (liabilities) and OPEB liability are shown as deferred inflows on the Statement of Net Position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets: This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, accounts payable or other borrowings attributable to the acquisition, construction, or improvement of those capital assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of debt is included in the same net position component as the unspent proceeds. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction, or improvements of assets or related debt also should be included in this component of net position.

Restricted: This component of net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. These restrictions could include constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted: This component of net position is the net amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Position Flow Assumption

Sometimes the Borough will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Borough's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Balance – Governmental Funds

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This classification includes items such as prepaid amounts, inventories, and the long-term portion of loans and notes receivable. This also includes the corpus (or principal) of permanent funds.

Restricted: This classification includes amounts where the constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance – Governmental Funds (Continued)

the government to assess, levy, change or mandate payment and includes a legally enforceable requirement on the use of these funds.

Committed: This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Borough's highest level of decision-making authority. This formal action is in the form of a resolution which is made by the Borough Council. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.

Assigned: This classification includes spendable amounts that are reported in governmental funds other than in the General Fund, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose. The intent of an assigned fund balance should be expressed by either the Borough Council, or a subordinate high-level body, such as the finance committee, borough manager, or finance director that is authorized to assign amounts to be used for specific purposes. The assignment of fund balance cannot result in a negative unassigned fund balance.

Unassigned: This classification represents the portion of a spendable fund balance that has not been categorized as restricted, committed, or assigned. The general fund is the only fund which would include a positive unassigned fund balance as all other fund types must categorize amounts within the other classifications. A negative unassigned fund balance may occur in any fund when there is an over expenditure of restricted or committed fund balance. In this case, any assigned fund balance (and unassigned fund balance in the general fund) would be eliminated prior to reporting a negative unassigned fund balance.

Fund Balance Flow Assumptions

Sometimes the Borough will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The Borough does not currently have a policy to indicate in which order unrestricted fund balance is considered spent; therefore, by default, the order is as follows: committed, assigned and unassigned.

Interfund Activity

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Advances between funds which are not expected to be repaid are accounted for as transfers. Interfund balances and transactions are eliminated in the government-wide financial statements. It is the Borough's general rule to eliminate internal activity in the government-wide statement of activities, such as receipts and payments between the Borough's sewer fund and blended component unit.

Exchange transactions, if any, between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and are shown separately in proprietary funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgets and Budgetary Accounting

Borough Council adopts annual budgets on a basis consistent with generally accepted accounting principles (GAAP). All annual appropriations lapse at the end of each year and must be reappropriated. The final budget amounts shown in the financial statements are the final authorized amount as revised during the year.

During 2021, the Borough overspent the budgeted expenditures of the general fund, which is a violation of the Borough Code, but is not expected to result in any negative implications to the Borough.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental columns in the statement of net position. Bond premium and discounts are deferred and amortized to interest expense over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Deferred charges on bond refunding are shown as deferred outflows of resources. Bond issuance costs related to insurance premiums are reported as assets and amortized to expense over the term of the related debt. Other bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses (if resulting from a disparity in interest rates) or as debt service expenditures (if resulting from underwriter's fees). Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

Liability for compensated absences is accounted for in accordance with the provisions of the GASB, which require entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned, and payment becomes probable.

Under terms of the Borough's employment agreements, employees are granted vacation, personal, and sick leave in varying amounts. Personal time must be used during the calendar year for all employees and cannot be carried over. Ninety days of vacation may be carried over from one year to the next for Borough employees. Upon retirement from the Borough, non-uniformed employees and police are reimbursed for accumulated sick leave in accordance with personnel policies.

The vesting method is used to account for sick and vacation leave liabilities. In accordance with GASB standards, no liability is recorded in the governmental fund financial statements and an expenditure is recorded as payments are made. In the government-wide statements, the liability and expenses are recorded as incurred.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension Plans

The Borough has established two defined benefit pension plans for the benefit of substantially all full-time employees, the police plan and non-uniformed plan. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Other Postemployment Benefits Other Than Pensions

GASB establishes standards for the measurement, recognition, and display of other postemployment benefit expenditures and related liabilities, note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The Borough's other postemployment benefits are accounted for in accordance with these standards.

Classification of Revenues

For proprietary funds, the Borough has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as utility billings and penalties and late charges.

Nonoperating revenues – Nonoperating revenues include activities that have the characteristics of non-exchange transactions (in which the Borough receives value without directly giving equal value in return), such as contributions and grants and other revenues that are defined as nonoperating revenues by GASB, such as investment earnings. In addition, tap fees are considered non-operating because they are based on future capacity needs of the utility system.

Risks and Uncertainties

The COVID-19 outbreak in the United States and around the world have caused business disruption through mandated and voluntary closings of many businesses throughout our community. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and extent of the economic impact. Therefore, it is reasonable to expect that some of the Borough's revenue sources derived from various tax revenues and the ability of the customers to pay for services provided could be impacted, however, the degree of such impact is uncertain at this time.

NOTE 2 DEPOSITS AND INVESTMENTS

The Commonwealth of Pennsylvania's "Borough Code" and Act 10 of 2016 define allowable investments for Borough funds as follows:

- U.S. Treasury Bills.
- Short term obligations of the U.S. Government or its agencies.
- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the respective governmental entity.
- Shares of an investment company registered under the Investment Company Act of 1940.
- Obligations, participations or other instruments of any federal agency, instrumentality or United States government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent.
- Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days.
- Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the banker's acceptances do not exceed 180 days.
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned. The Borough does not have a policy for custodial credit risk on deposits. At December 31, 2021, \$ 593,941 of the Borough's bank balance of \$ 2,041,492 was covered by federal depository insurance and \$ 1,447,551 was exposed to custodial credit risk. This balance is uninsured but is collateralized by securities held by the pledging financial institution not in the Borough's name.

Pennsylvania Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledger of the assets. Based on the standards outlined in Act 72, the various banks utilized by the Borough have pledged collateral on a pooled basis on behalf of the Borough and all other governmental depositors in the respective financial institutions.

Credit Risk - Investments

Pennsylvania Local Government Investment Trust (PLGIT) investments are shown as cash and cash equivalents in these financial statements. Investments are carried at amortized cost. PLGIT investments of \$ 5,745,279 are considered an external investment pool. These funds operate similar to a money market fund and seek to maintain a consistent net asset value of \$ 1 per share. PLGIT portfolio funds are invested in United States Treasury bills; obligations, participations, or other instruments of any Federal agency, instrumentality or United States government-sponsored enterprise; deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund; obligations guaranteed or insured by the United States of America, obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the Commonwealth; and repurchase agreements involving United States Government and agency obligations.

Credit risk is the risk that an issuer of debt securities or other counter party to an investment will not fulfill its obligations. The Borough does not have an investment policy regarding credit risk.

At December 31, 2021, the Borough's investments in PLGIT were rated AAA by Standard and Poor's Investors Services.

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Policies followed by PLGIT

Regulatory Oversight

The operation of PLGIT is governed by an eleven-member board of Trustees. The Trustees must be employees or elected officials of a local government or school district and are elected at the annual meeting of investors. The Trustees have exclusive and absolute control over the affairs of the Trust and its assets, subject to the rights of the Investors, as provided in the Declaration of Trust.

PLGIT is not registered with the Securities and Exchange Commission (SEC); however, PLGIT follows investment procedures similar to those followed by SEC registered money market funds.

Valuation of Investments

Portfolios are valued using the net asset value per share. The net asset value per share is computed by dividing the total value of the securities and other assets of the portfolio less liabilities, by the outstanding shares of the portfolio.

NOTE 3 TAXES

The Borough collects property taxes, earned income and other taxes and fees. Property taxes are levied as of January 1 on assessed property values. The tax bills are mailed by the Tax Collectors by March 1 and are payable as follows:

Discount	March 1 – April 30
Face	May 1 – June 30
Penalty	July 1 – December 31

After December 31, the bills are considered delinquent and are turned over to the Schuylkill County Tax Claim Bureau for collection.

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 4 TAXES RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Taxes receivable are stated at the amount management expects to collect from outstanding balances. The Borough has established an allowance for uncollectible accounts based on an evaluation of historical collections. Taxes receivable in the balance sheet- governmental funds consists of the following as of December 31, 2021:

	General Fund	Fire Fund
Comcast franchise fee	\$ 16,861	\$ -
Earned income	133,263	-
Local services tax	16,341	-
Real estate	25,570	-
Fire tax	-	2,435
Occupational	2,497	-
Per capita	6,523	-
Real estate transfer	6,477	-
Delinquent real estate tax	9,152	-
Delinquent per capita	14,932	-
Delinquent occupational tax	5,729	-
Allowance for uncollectible accounts	<u>(3,000)</u>	<u>-</u>
Total taxes receivable, net	234,345	2,435
Taxes collected within sixty days, recorded as revenues in governmental funds	<u>(178,720)</u>	<u>(734)</u>
Taxes estimated to be collected after sixty days, recorded as deferred inflows of resources - unavailable tax revenue in governmental funds	<u>\$ 55,625</u>	<u>\$ 1,701</u>

The Borough's allowance for doubtful accounts at December 31, 2021 for the proprietary funds totaled \$ 11,000 for the Sewer Fund, \$ 11,000 for the Water Fund, and \$ 3,000 for the Sanitation Fund. This is based on an evaluation of historical and delinquent collections.

NOTE 5 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables consist of the following at December 31, 2021:

	Due From Other Funds	Due To Other Funds
Governmental Funds		
General Fund	\$ 26,221	\$ -
Proprietary Funds		
Sewer	-	69,715
Water	67,511	9,201
Sanitation	-	14,816
	<u>\$ 93,732</u>	<u>\$ 93,732</u>

The outstanding balances between funds result mainly from the allocation of pension expenses, payroll transactions, and amounts related to debt service.

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 5 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Interfund transfers consist of the following during 2021:

	Transfers In	Transfers Out
Governmental Funds		
General Fund	\$ 10,521	\$ 97,926
Capital Reserve	375,926	53,175
Proprietary Funds		
Sewer	21,327	-
Water	21,327	189,000
Sanitation	-	89,000
	<u>\$ 429,101</u>	<u>\$ 429,101</u>

The transfers from the General, Water and Sanitation Fund to the Capital Reserve Fund were for future capital purchases and projects. The transfers from the Capital Reserve Fund to the General, Sewer and Water Funds were for current capital purchases and projects.

NOTE 6 CAPITAL ASSETS

Capital asset activity for the Borough consists of the following as of and for the year ended December 31, 2021:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Cost				
Capital assets not being depreciated				
Land	\$ 291,228	\$ -	\$ -	\$ 291,228
Construction in progress	39,856	126,039	-	165,895
Capital assets being depreciated				
Land improvements	576,065	9,846	-	585,911
Buildings and improvements	1,468,384	75,602	-	1,543,986
Equipment	365,327	8,786	(3,850)	370,263
Recreation assets	276,826	-	-	276,826
Vehicles	447,487	2,000	(79,597)	369,890
Total cost	<u>3,465,173</u>	<u>222,273</u>	<u>(83,447)</u>	<u>3,603,999</u>
Less accumulated depreciation				
Land improvements	(184,682)	(33,383)	-	(218,065)
Building and improvements	(532,872)	(49,770)	-	(582,642)
Equipment	(165,973)	(38,595)	1,091	(203,477)
Recreation assets	(159,482)	(11,239)	-	(170,721)
Vehicles	(388,932)	(20,190)	78,174	(330,948)
Total accumulated depreciation	<u>(1,431,941)</u>	<u>(153,177)</u>	<u>79,265</u>	<u>(1,505,853)</u>
Capital assets, net	<u>\$ 2,033,232</u>	<u>\$ 69,096</u>	<u>\$ (4,182)</u>	<u>\$ 2,098,146</u>

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 6 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities				
Cost				
Capital assets not being depreciated				
Land	\$ 84,612	\$ -	\$ -	\$ 84,612
Construction in progress	112,819	707,746	-	820,565
Capital assets being depreciated				
Buildings and improvements	3,301,321		(10,210)	3,291,111
Equipment	360,340	-	(6,993)	353,347
Sewer plant	8,315,962	-	(55,093)	8,260,869
Sewer line improvements	917,857	-	-	917,857
Vehicles	52,226	44,654	(5,172)	91,708
Water distribution system	5,888,166	14,250	-	5,902,416
Total cost	<u>19,033,303</u>	<u>766,650</u>	<u>(77,468)</u>	<u>19,722,485</u>
Less accumulated depreciation				
Buildings and improvements	(2,380,922)	(80,550)	10,210	(2,451,262)
Equipment	(123,264)	(33,175)	3,089	(153,350)
Sewer plant	(4,905,291)	(155,166)	55,093	(5,005,364)
Sewer line improvements	(84,136)	(18,357)	-	(102,493)
Vehicles	(21,856)	(12,561)	2,328	(32,089)
Water distribution system	<u>(2,584,795)</u>	<u>(178,304)</u>	<u>-</u>	<u>(2,763,099)</u>
Total accumulated depreciation	<u>(10,100,264)</u>	<u>(478,113)</u>	<u>70,720</u>	<u>(10,507,657)</u>
Capital assets, net	<u>\$ 8,933,039</u>	<u>\$ 288,537</u>	<u>\$ (6,748)</u>	<u>\$ 9,214,828</u>

Depreciation expense for the year ended December 31, 2021 was charged as follows in the Statement of Activities:

Governmental Activities	
General Government	\$ 16,178
Public Works - Highway	25,245
Public Safety	30,589
Culture and Recreation	81,165
	<u>\$ 153,177</u>
Business-Type Activities	
Sewer	\$ 215,127
Water	262,986
	<u>\$ 478,113</u>

BOROUGH OF ORWIGSBURG

Notes to Financial Statements

NOTE 7 LONG-TERM LIABILITIES

The changes in long-term liabilities during the year ended December 31, 2021 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Governmental Activities						
Direct Borrowing						
(C) Curbs Loan	\$ 51,237	\$ -	\$ (8,460)	\$ 42,777	\$ 8,427	\$ 34,350
(D) 2018 Ford SUV Loan	2,383	-	(2,383)	-	-	-
(E) 2020 Ford SUV Loan	23,647	-	(11,670)	11,977	11,977	-
Subtotal - notes	<u>77,267</u>	<u>-</u>	<u>(22,513)</u>	<u>54,754</u>	<u>20,404</u>	<u>34,350</u>
Compensated absences	<u>187,206</u>	<u>100,911</u>	<u>(107,822)</u>	<u>180,295</u>	<u>35,138</u>	<u>145,157</u>
Total long-term liabilities						
Governmental Activities	<u>\$ 264,473</u>	<u>\$ 100,911</u>	<u>\$ (130,335)</u>	<u>\$ 235,049</u>	<u>\$ 55,542</u>	<u>\$ 179,507</u>
Business-Type Activities						
Bonds						
(A) 2020 GO Bonds - Sewer	8,395,500	-	(126,500)	8,269,000	167,750	8,101,250
(B) 2020 GO Bonds - Water	1,984,500	-	(103,500)	1,881,000	137,250	1,743,750
Bond (Discount)/Premium	831,438	-	(40,719)	790,719	40,719	750,000
Subtotal - bonds	<u>11,211,438</u>	<u>-</u>	<u>(270,719)</u>	<u>10,940,719</u>	<u>345,719</u>	<u>10,595,000</u>
Capital lease payable	<u>46,492</u>	<u>-</u>	<u>(34,622)</u>	<u>11,870</u>	<u>11,870</u>	<u>-</u>
Total long-term liabilities						
Business-Type Activities	<u>\$ 11,257,930</u>	<u>\$ -</u>	<u>\$ (305,341)</u>	<u>\$ 10,952,589</u>	<u>\$ 357,589</u>	<u>\$ 10,595,000</u>

- (A) On June 24, 2020, the Borough issued \$ 10,840,000 of general obligation bonds, Series of 2020, of which \$ 8,648,500 related to the Sewer Fund. The Bonds were issued for the refunding of the Sewer Fund's portion of the 2015 revenue bonds and to fund various capital projects of the Borough. Principal payments are due in varying amounts on October 1, 2020 to 2045. The bond bears interest at rates ranging from 0.63% to 4.00%. The general obligation bond is secured by the full faith, credit, and taxing power of the Borough.
- (B) On June 24, 2020, the Borough issued \$ 10,840,000 of general obligation bonds, Series of 2020, of which \$ 2,191,500 related to the Water Fund. The Bonds were issued for the refunding of the Water Fund's portion of the 2015 revenue bonds. Principal payments are due in varying amounts on October 1, 2020 to 2045. The bond bears interest at rates ranging from 0.63% to 4.00%. The general obligation bond is secured by the full faith, credit, and taxing power of the Borough.
- (C) On August 23, 2016, the Borough secured a loan from Hidden River Credit Union in the amount of \$ 85,000. The loan was used to pay for curbing on South Warren Street. The loan bears interest at the fixed rate of 3.00%. Total monthly payments of principal and interest in the amount of \$ 821 are due monthly through August 23, 2026. The note is secured by Borough deposits.
- (D) On February 21, 2018, the Borough secured a loan from Hidden River Credit Union in the amount of \$ 41,261. The loan was used to purchase a police vehicle. The loan bears interest at a fixed rate of 2.69%. Total monthly payments of principal and interest in the amount of \$ 1,194 are due monthly through February 21, 2021. The note is secured by the vehicle with a net book value of \$ 17,880.

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

(E) On December 13, 2019, the Borough secured a loan from Hidden River Credit Union in the amount of \$ 34,940. The loan was used to purchase a police vehicle. The loan bears interest at a fixed rate of 2.99%. Total monthly payments of principal and interest in the amount of \$ 1,017 are due monthly through December 27, 2022. The note is secured by the vehicle with a net book value of \$ 36,769.

Upon default of the Notes or Bond the financial institution has normal remedies as outlined in the note or bond agreements, including the right to declare the unpaid principal and interest be due immediately.

On February 26, 2021, the Borough issued General Obligation Note, Series of 2021 with Manufacturers and Traders Trust Company in the amount of \$ 750,000. The loan is to be used to fund improvement to the Veterans Memorial Community Hall and will be repaid will grant funds received from the RCAP grant from the Commonwealth of Pennsylvania. The loan bears interest at a variable rate equal to 2.00% above the one-month LIBOR, with a floor of 2.1875% and a ceiling of 4.50%. Principal and interest is due quarterly and is due the earlier of December 31, 2023 or one year from date of completion of the project. There were no draws on this Note as of December 31, 2021.

The following is a schedule by years and in the aggregate of future minimum debt principal and interest payments as of December 31, 2021.

Governmental Activities						
Direct Borrowing						
	Curbs Loan		2020 Ford SUV Loan			
	Principal	Interest	Principal	Interest		
2022	8,684	1,166	11,977	195		
2023	8,948	902	-	-		
2024	9,220	630	-	-		
2025	9,501	350	-	-		
2026	6,425	82	-	-		
2027-2031	-	-	-	-		
2032-2036	-	-	-	-		
2037-2041	-	-	-	-		
2042-2046	-	-	-	-		
	<u>\$ 42,777</u>	<u>\$ 3,130</u>	<u>\$ 11,977</u>	<u>\$ 195</u>		
Business-Type Activities						
Bonds						
	2020 GO Bond (Sewer Portion)		2020 GO Bond (Water Portion)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	172,750	293,646	137,250	44,956	330,661	339,963
2023	173,250	290,190	141,750	42,210	323,948	333,302
2024	176,000	287,592	144,000	40,084	329,220	328,306
2025	178,750	284,952	146,250	37,924	334,501	323,226
2026	181,500	282,270	148,500	35,730	336,425	318,082
2027-2031	948,750	1,364,190	776,250	140,064	1,725,000	1,504,254
2032-2036	1,638,000	1,182,990	387,000	26,010	2,025,000	1,209,000
2037-2041	2,455,000	771,200	-	-	2,455,000	771,200
2042-2045	2,345,000	238,800	-	-	2,345,000	238,800
	<u>\$ 8,269,000</u>	<u>\$ 4,995,830</u>	<u>\$ 1,881,000</u>	<u>\$ 366,978</u>	<u>\$ 10,204,754</u>	<u>\$ 5,366,133</u>

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Capital Leases

The Borough is financing the purchase of a John Deere loader backhoe. At December 31, 2021, the leased assets have a gross capitalized value of \$ 101,030 and accumulated amortization of \$ 17,961 leaving a net book value of \$ 83,069 that is included in capital assets. Amortization expense of \$ 6,735 is included in depreciation expense.

The aggregate amount of future payments required on capital leases at December 31, 2021, is as follows:

	Business-Type Activities		Total
	Sewer Fund	Water Fund	
2022	\$ 5,989	\$ 5,988	\$ 11,977
Amount representing interest	(54)	(53)	(107)
	<u>\$ 5,935</u>	<u>\$ 5,935</u>	<u>\$ 11,870</u>

NOTE 8 PENSION PLANS

Summary of Significant Accounting Policies

Plan Description

The Borough sponsors two multi-employer defined benefit retirement plans (The Plans) which cover Administrative Employees and Police Officers. The Plan is administered by the Pennsylvania Municipal Retirement System ("PMRS"), an agent multiple-employer pension plan administered by the Commonwealth of Pennsylvania. PMRS, established by the Pennsylvania Retirement Law, Act 15 of 1974 ("ACT 15"), as amended, serves as a common investment and administrative agent for participating municipal pension plans. The authority to establish and amend benefits provisions of the Plan rests with the Authority's board of directors, the Commonwealth of Pennsylvania's Municipal Pension Plan Funding and Recovery Act of 1984 ("Act 205"), and PMRS.

PMRS issues a separate Comprehensive Annual Financial Report ("CAFR"). The CAFR is available on the PMRS website or a copy can be obtained by contacting the PMRS accounting office.

For the year ended December 31, 2021, PMRS was unable to provide updated pension information for the measurement date of December 31, 2020. Therefore, all reported information in these financial statements, including the pension asset (liability), related deferred inflows and outflows of resources, footnote disclosures and required supplementary information schedules are based on information from PMRS as of December 31, 2019. This is a departure from Generally Accepted Accounting Principles.

Plan Membership

At January 1, 2019, the date of the latest valuation, Plan membership consisted of:

	Police	Non-Uniform
Inactive employees or beneficiaries currently receiving benefits	2	8
Inactive employees entitled to but not yet receiving benefits	0	1
Active employees	5	7
Total Membership	<u>7</u>	<u>16</u>

NOTE 8 PENSION PLANS (CONTINUED)

Benefits Provided

Police

The Plan provides for retirement, disability, and death benefits for normal retirement at age of fifty with twelve years of service. Early retirement is available for members who have been involuntarily terminated after eight years of service or who separate voluntarily after twenty-four years of credited services, however, benefits will be actuarially reduced for each year or partial year thereof that early retirement takes place prior to age fifty. The basic annual benefit equals 2.0% times years of credited service times final average salary, with a maximum basic annual benefit of 50% of final average salary. In addition to this basic benefit, a separate annuity is provided by an employer contribution for participants with twenty-six or more years of credited service. The benefit is computed on the number of credited years over twenty-five times 2.5% times the basic benefit. Members are 100% vested after 12 years of service.

Non-Uniform

The Plan provides for retirement, disability, and death benefits for normal retirement at age fifty-four. Early retirement is available for members who have been involuntarily terminated after eight years of service or who separate voluntarily after twenty-years of credited services, however, benefits will be actuarially reduced for each year or partial year thereof that early retirement takes place prior to age fifty-four. The basic annual benefit equals 2.5% times years of credited service times final average salary, with a maximum basic annual benefit of 75% of final average salary. Members are 100% vested after 10 years of service.

Funding Policy and Contributions

Act 205

Act 205 of 1984, the Municipal Pension Plan Fund Standard and Recovery Act, initiated actuarial funding requirements for municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation ("MMO") to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated member contributions.

	Police	Non-Uniform
Annual required contribution	\$ -	\$ 134,987
Contributions made - employer	-	135,007

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 8 PENSION PLANS (CONTINUED)

Net Pension (Asset) Liability

The Borough's net pension (asset)/liability was measured at December 31, 2019, and the total pension liability used to calculate the net pension (asset)/liability was determined by an actuarial valuation as of January 1, 2019. The components of the Borough's net pension (asset)/liability are as follows at December 31, 2020:

	Police	Non-Uniform	Total
Total Pension Liability	\$ 1,521,304	\$ 2,423,068	\$ 3,944,372
Plan Fiduciary Net Position	2,711,600	2,082,995	4,794,595
Net Pension (Asset)/Liability	<u>\$ (1,190,296)</u>	<u>\$ 340,073</u>	<u>\$ (850,223)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension (Asset)/Liability	178.24%	85.97%	121.56%

Changes in the Net Pension (Asset)/Liability

The changes in the Authority's net pension (asset)/liability are as follows for the year ended December 31, 2021 (based on 2019 information):

	POLICE PENSION PLAN			NON-UNIFORM PLAN		
	Increase(Decrease)			Increase(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset)/Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset)/Liability (a) - (b)
Beginning Balance	\$ 1,429,816	\$ 2,302,808	\$ (872,992)	\$ 2,324,100	\$ 1,682,436	\$ 641,664
Changes for the year:						
Service cost	66,664	-	66,664	76,507	-	76,507
Interest	77,208	-	77,208	123,416	-	123,416
Changes of benefits	-	-	-	-	-	-
Changes of assumptions	-	-	-	-	-	-
Differences between expected and actual experience	-	-	-	-	-	-
Contributions - employer	-	(140)	140	-	134,627	(134,627)
Contributions - PMRS assessment	-	160	(160)	-	380	(380)
Contributions - member	-	-	-	-	-	-
PMRS investment income	-	128,467	(128,467)	-	91,667	(91,667)
Market value investment income	-	337,290	(337,290)	-	278,389	(278,389)
Transfers	-	-	-	-	-	-
Benefit payments	(52,384)	(52,384)	-	(100,955)	(100,955)	-
PMRS administrative expense	-	(160)	160	-	(380)	380
Additional administrative expense	-	(4,441)	4,441	-	(3,169)	3,169
Net changes	<u>\$ 91,488</u>	<u>\$ 408,792</u>	<u>\$ (317,304)</u>	<u>\$ 98,968</u>	<u>\$ 400,559</u>	<u>\$ (301,591)</u>
Ending Balance	<u>\$ 1,521,304</u>	<u>\$ 2,711,600</u>	<u>\$ (1,190,296)</u>	<u>\$ 2,423,068</u>	<u>\$ 2,082,995</u>	<u>\$ 340,073</u>

NOTE 8 PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of January 1, 2019 using the following actuarial methods and assumptions:

Actuarial Valuation Date	January 1, 2019
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions	
Projected Salary Increases	Age related scale with merit and inflation component
Inflation	2.80%
Investment Rate of Return	5.25%
Cost-of-Living Adjustments	2.80%, for those eligible
Asset Valuation Method	Based upon the municipal reserves

Healthy life mortality rates, pre-retirement was based on RP-2000 sex-distinct non-annuitant table projected 15 years with Scale AA for males and a five-year setback for females. Healthy life mortality rates, post-retirement was based on RP-2000 sex-distinct mortality tables projected 5 years with scale AA for males and 10 years for females. Disabled life mortality rates were RP-2000 with ten years set forward for males and females.

The actuarial assumptions used in the January 1, 2019 valuation were based on the PMRS Experience Study for the period completed in 2015.

Expected Rate of Return

The Plan's long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates of expected future real rates of return are developed for each major asset class, for the portfolio as a whole and at different levels of probability or confidence. The Plan has developed the following target allocation across asset categories:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
US equity	47.0%	5.6%
International equity	20.0%	5.8%
Fixed income	25.0%	1.7%
Real Estate	8.0%	4.6%
Cash	0.0%	0.9%
Total Portfolio	<u>100.0%</u>	

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 8 PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability for the plan was 5.25 percent. The projection of cash flows for the Plan, used to determine if any adjustment to the discount rate was required ("depletion testing"), used the following assumptions: (1) member contributions will be made at the current contribution rate; (2) participating plan sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate; and (3) PMRS' long-term expected rate of return will be used in the depletion testing of projected cash flows. Based on these assumptions, the PMRS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension (asset)/liability to changes in the discount rate. The table below presents the pension (asset)/liability of the Plan calculated using the discount rate of 5.25 percent, as well as what the net pension (asset)/liability would be, if it were calculated using a discount rate that is one percentage point lower (4.25 percent) or one percentage point higher (6.25 percent) than the current rate.

	1% Decrease 4.25%	Current Discount Rate 5.25%	1% Increase 6.25%
Police pension plan	\$ (973,990)	\$ (1,190,296)	\$ (1,368,009)
Non-Uniform pension plan	669,572	340,073	67,041

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended December 31, 2021, the Borough recognized pension expense of \$ 128,350. At December 31, 2021, the Borough reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Police Pension Plan		Non-Uniform Pension Plan		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,882	\$ 78,582	\$ 83,958	\$ -	\$ 123,840	\$ 78,582
Changes in assumptions	15,307	3,153	-	-	15,307	3,153
Net difference between projected and actual earnings on pension plan investments	-	230,415	-	204,632	-	435,047
Changes in proportions - governmental activities/business-type activities	-	-	35,534	35,534	35,534	35,534
Contributions subsequent to the measurement date	20	-	128,315	-	128,335	-
Total	\$ 55,209	\$ 312,150	\$ 247,807	\$ 240,166	\$ 303,016	\$ 552,316

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 8 PENSION PLANS (CONTINUED)

The \$ 128,335 reported as deferred outflows of resources resulting from the Borough's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions, will be recognized in pension expense as follows for the years ending December 31:

	Police Pension Plan	Non-Uniform Pension Plan	Total
Year Ended December 31:			
2022	\$ (87,599)	\$ (21,721)	\$ (109,320)
2023	(77,214)	(19,054)	(96,268)
2024	(24,966)	(24,223)	(49,189)
2025	(74,527)	(55,678)	(130,205)
2026	7,346	-	7,346
	<u>\$ (256,960)</u>	<u>\$ (120,676)</u>	<u>\$ (377,636)</u>

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Borough's Other Post-Employment Benefits (OPEB) Plan is a single-employer defined benefit providing medical reimbursement to all police officers who retire with a disability or normal retirement pension. The Plan provides for the reimbursement up to \$ 500 per month for medical expenses until the earlier of the end of the eighth year of benefits or the retiree's death. A retiree hired prior to January 1, 2009 may use the reimbursement for his and/or his spouse's coverage. A retiree hired after January 1, 2009 may only apply the \$ 500 toward his own coverage (not the spouse's). Retirees are responsible for the charged premium in excess of \$ 500 per month. The Plan does not provide benefits to non-uniform employees of the Borough.

The Plan has no retirees receiving benefits as of January 1, 2020.

Plan Membership

Membership in the Plan consisted of the following at January 1, 2020, the date of the latest actuarial valuation:

Active participants	6
Vested former participants	-
Retired participants	-
	<u>6</u>

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The Borough's total OPEB liability was measured as of January 1, 2020, based on the actuarial assumptions in the January 1, 2020 valuation. No assets are accumulated in a trust that meets the criteria of GASB standards. At December 31, 2021, the Borough reported a total OPEB liability of \$ 64,753.

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

For the year ended December 31, 2021, the Borough recognized OPEB expense of \$ 6,520.

At December 31, 2020, the Borough reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,524
Changes in assumptions	927	-
Total	<u>\$ 927</u>	<u>\$ 2,524</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expenses as follows:

	Amount
Year Ended December 31:	
2021	\$ (106)
2022	(106)
2023	(106)
2024	(106)
2025	(106)
Thereafter	(1,067)
	<u>\$ (1,597)</u>

Changes in the Total OPEB Liability

	Total OPEB Liability
Beginning Balance	\$ 58,256
Changes for the year:	
Service cost	4,738
Interest	1,888
Change in benefit terms	-
Changes in assumption	-
Differences between expected and actual experience	-
Benefit payments	(129)
Net changes	<u>6,497</u>
Ending Balance	<u>\$ 64,753</u>

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

The total OPEB liability was determined based on an actuarial valuation dated January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.00%
Salary	An assumption for salary increase is used for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are calculated at 2.75%.
Mortality	RP-2014 Mortality Table with 50% Blue Collar Adjustment and rates set forward 5 years for disabled live.
Mortality Improvement	Rates derived from the Long-Range Demographic Assumptions for the 2015 Social Security Administration's Trustee Report.
Withdrawal	None assumed.
Retirement Age	Age 50 with 12 years of service; 100% of participants are assumed to enter DROP at first eligibility and remain in the DROP for three years.
Participation	100% of eligible retirees are assumed to receive the full \$ 500 reimbursement throughout the eligibility period. Retirees not currently receiving the reimbursement are not assumed to opt in at a later date.

Discount Rate

The discount rate used to measure the OPEB liability was 3.00% for the Plan. The Plan is not funded, therefore, a rate similar to the S&P 20 year tax-exempt general obligation municipal bond rate of is used as the applicable discount rate.

Sensitivity of the Total Net OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liabilities of the Borough, as well as what the Borough's liabilities would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

	1% Decrease 2.00%	Current Discount Rate 3.00%	1% Increase 4.00%
Total OPEB Liability	\$ 70,672	\$ 64,753	\$ 59,480

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 10 FUND BALANCE/NET POSITION

The following table provides details of the fund balance classifications which are aggregated on the governmental funds balance sheet:

	General Fund	Capital Reserve Fund	Nonmajor Funds	Total Governmental Funds
FUND BALANCES				
Nonspendable				
Prepays	\$ 7,317	\$ -	\$ -	\$ 7,317
Total nonspendable	<u>7,317</u>	<u>-</u>	<u>-</u>	<u>7,317</u>
Restricted				
Capital projects	-	1,253,337	-	1,253,337
Future road projects/equipment	-	-	22,271	22,271
Parks and recreation	3,778	-	-	3,778
Police department	421	-	-	421
Public safety	-	-	63,357	63,357
Total restricted	<u>4,199</u>	<u>1,253,337</u>	<u>85,628</u>	<u>1,343,164</u>
Committed				
Future OPEB costs	<u>97,765</u>	<u>-</u>	<u>-</u>	<u>97,765</u>
Total committed	<u>97,765</u>	<u>-</u>	<u>-</u>	<u>97,765</u>
Unassigned	<u>96,280</u>	<u>-</u>	<u>-</u>	<u>96,280</u>
Total fund balances	<u>\$ 205,561</u>	<u>\$ 1,253,337</u>	<u>\$ 85,628</u>	<u>\$ 1,544,526</u>

Net position is restricted for the following purposes at December 31, 2021:

Restricted for:

Governmental activities (see above) \$ 1,343,164

NOTE 11 RENTAL INCOME

The Borough has a long-term lease for the use of office space within Borough Hall. The Borough had total rental income of \$ 24,872 under the lease for the year ended December 31, 2021. The future amounts to be received under the current noncancelable terms of the lease are as follows:

Year	Amount
2022	\$ 26,961
2023	27,770
2024	28,603
2025	29,461
2026	<u>22,589</u>
	<u>\$ 135,384</u>

BOROUGH OF ORWIGSBURG
Notes to Financial Statements

NOTE 12 RISK MANAGEMENT

In conjunction with its normal operations, the Borough is exposed to various risks related to the damage or destruction of its assets from both natural and manmade occurrences, tort liability claims, errors and omissions claims, and professional liability claims. As a result of these exposures, the Borough carries various insurance policies to reduce the overall exposure of risks to the Borough. There were no settlements in excess of insurance coverage in 2021 or the previous three years.

NOTE 13 RELATED PARTY TRANSACTIONS

Operating Lease

A lease with the Municipal Authority was effective May 20, 2015 through October 31, 2029, or upon earlier retirement of the Series of 2020 Bonds. Terms of the lease required monthly payments to the Borough of \$ 4,200 for payment of the Authority's administrative expenses. The Municipal Authority's activity is included in Sewer Fund on the fund financial statements and included in business-type activities of the government-wide statements. Therefore, there is no effect on the financial statements because the activity is eliminated when the Authority and Sewer Fund are recorded together.

NOTE 14 COMMITMENTS AND CONTINGENCIES

The Borough is involved with a lawsuit as a matter of their normal course of business. Management cannot predict the outcome of the lawsuit or estimate the amount of any loss that may result. Management believes that losses resulting from the matter, if any, would be substantially covered under the Borough's professional liability insurance policy and would not have a material effect on the financial position of the Borough.

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF ORWIGSBURG
Required Supplementary Information
Budgetary Comparison Schedule – General Fund (Unaudited)
Year Ended December 31, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes	\$ 1,350,600	\$ 1,350,600	\$ 1,392,254	\$ 41,654
Licenses and permits	67,250	67,250	68,815	1,565
Local support	-	-	200	200
Fines and forfeits	25,000	25,000	15,693	(9,307)
Interest earnings	160	160	61	(99)
Rents	47,100	47,100	38,242	(8,858)
Intergovernmental	77,234	77,234	147,058	69,824
Charges for services	46,136	46,136	44,205	(1,931)
Miscellaneous	3,300	3,300	9,778	6,478
Total revenues	<u>1,616,780</u>	<u>1,616,780</u>	<u>1,716,306</u>	<u>99,526</u>
EXPENDITURES				
General government	232,478	232,478	225,133	7,345
Public safety	768,283	768,283	808,877	(40,594)
Public works	280,543	280,543	325,868	(45,325)
Culture and recreation	126,791	126,791	185,173	(58,382)
Debt service	41,850	41,850	29,252	12,598
Miscellaneous	111,054	111,054	115,902	(4,848)
Total expenditures	<u>1,560,999</u>	<u>1,560,999</u>	<u>1,690,205</u>	<u>(129,206)</u>
Excess (deficiency) of revenues over expenditures	<u>55,781</u>	<u>55,781</u>	<u>26,101</u>	<u>(29,680)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	7,551	(7,551)
Refund of prior year revenue	-	-	(10)	10
Transfers in (out)	<u>(55,781)</u>	<u>(55,781)</u>	<u>(87,405)</u>	<u>(31,624)</u>
Total other financing sources (uses)	<u>(55,781)</u>	<u>(55,781)</u>	<u>(79,864)</u>	<u>(39,165)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (53,763)</u>	<u>\$ (68,845)</u>

BOROUGH OF ORWIGSBURG
Required Supplementary Information
Schedule of Changes in Net Pension (Asset) Liability and Related Ratios –
Police Plan (Unaudited)
Last 10 Fiscal Years

Police Pension Plan	2020	2019	2018	2017	2016	2015
Total pension liability						
Service cost	\$ 66,664	\$ 61,773	\$ 47,043	\$ 30,197	\$ 38,967	\$ 53,735
Interest	77,208	69,446	67,070	68,175	63,375	65,566
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experiences	-	55,835	-	(48,820)	-	(144,148)
Changes of assumptions	-	-	-	35,717	(6,305)	-
Benefit payments, including refunds of employee contributions	(52,384)	(36,023)	(129,937)	-	-	(442)
Net change in total pension liability	91,488	151,031	(15,824)	85,269	96,037	(25,289)
Total pension liability - beginning	1,429,816	1,278,785	1,294,609	1,209,340	1,113,303	1,138,592
Total pension liability - ending (a)	<u>\$ 1,521,304</u>	<u>\$ 1,429,816</u>	<u>\$ 1,278,785</u>	<u>\$ 1,294,609</u>	<u>\$ 1,209,340</u>	<u>\$ 1,113,303</u>
Plan fiduciary net position						
Contributions - employer	\$ 20	\$ -	\$ 40	\$ -	\$ -	\$ 462
Contributions - employee	-	-	-	-	-	-
Net investment income	465,757	(128,849)	378,938	170,592	(12,667)	97,384
Benefit payments, including refunds of employee contributions	(52,384)	(36,023)	(129,937)	-	-	(442)
Administrative expense	(4,601)	(5,846)	(5,513)	(5,914)	(4,858)	(4,265)
Net change in plan fiduciary net position	408,792	(170,718)	243,528	164,678	(17,525)	93,139
Plan fiduciary net position - beginning	2,302,808	2,473,526	2,229,998	2,065,320	2,082,845	1,989,706
Plan fiduciary net position - ending (b)	<u>\$ 2,711,600</u>	<u>\$ 2,302,808</u>	<u>\$ 2,473,526</u>	<u>\$ 2,229,998</u>	<u>\$ 2,065,320</u>	<u>\$ 2,082,845</u>
Borough's net position (asset)/liability - ending (a-b)	<u>\$ (1,190,296)</u>	<u>\$ (872,992)</u>	<u>\$ (1,194,741)</u>	<u>\$ (935,389)</u>	<u>\$ (855,980)</u>	<u>\$ (969,542)</u>
Plan fiduciary net position as a percentage of the total pension liability	178.2%	161.1%	193.4%	172.3%	170.8%	187.1%
Covered payroll	\$ 425,126	\$ 383,353	\$ 291,937	\$ 203,808	\$ 218,600	\$ 278,611
Borough's net pension (asset) liability as a percentage of covered payroll	(280.0)%	(227.7)%	(409.2)%	(459.0)%	(391.6)%	(348.0)%
NOTES						

This schedule will be expanded to show multi-year trends as information becomes available in the future.

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PMRS, the measurement period year-end is one year prior to the fiscal year-end. Information for 2021 was unavailable from PMRS.

BOROUGH OF ORWIGSBURG
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios -
Non-Uniform Plan (Unaudited)
Last 10 Fiscal Years

Non-Uniform Pension Plan	2020	2019	2018	2017	2016	2015
Total pension liability						
Service cost	\$ 76,507	\$ 82,524	\$ 61,181	\$ 58,865	\$ 56,130	\$ 67,849
Interest	123,416	109,884	104,844	98,072	93,482	90,445
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experiences	-	167,916	-	84,419	-	(14,351)
Changes of assumptions	-	-	-	59,118	15,359	-
Benefit payments, including refunds of employee contributions	(100,955)	(92,291)	(90,446)	(87,333)	(81,243)	(72,885)
Net change in total pension liability	98,968	268,033	75,579	213,141	83,728	71,058
Total pension liability - beginning	2,324,100	2,056,067	1,980,488	1,767,347	1,683,619	1,612,561
Total pension liability - ending (a)	<u>\$ 2,423,068</u>	<u>\$ 2,324,100</u>	<u>\$ 2,056,067</u>	<u>\$ 1,980,488</u>	<u>\$ 1,767,347</u>	<u>\$ 1,683,619</u>
Plan fiduciary net position						
Contributions - employer	\$ 135,007	\$ 95,174	\$ 89,766	\$ 87,598	\$ 93,899	\$ 92,743
Contributions - employee	-	-	-	-	-	-
Contributions - PMRS assessment	-	-	-	-	320	-
Net investment income	370,056	(71,621)	265,212	93,888	(18,929)	(70,014)
Benefit payments, including refunds of employee contributions	(100,955)	(92,291)	(90,446)	(87,333)	(81,243)	(72,885)
Administrative expenses	(3,549)	(4,162)	(4,072)	(4,286)	(2,962)	(3,419)
Net change in plan fiduciary net position	400,559	(72,900)	260,460	89,867	(8,915)	(53,575)
Plan fiduciary net position - beginning	1,682,436	1,755,336	1,494,876	1,405,009	1,413,924	1,467,499
Plan fiduciary net position - ending (b)	<u>\$ 2,082,995</u>	<u>\$ 1,682,436</u>	<u>\$ 1,755,336</u>	<u>\$ 1,494,876</u>	<u>\$ 1,405,009</u>	<u>\$ 1,413,924</u>
Borough's net position liability - ending (a-b)	<u>\$ 340,073</u>	<u>\$ 641,664</u>	<u>\$ 300,731</u>	<u>\$ 485,612</u>	<u>\$ 362,338</u>	<u>\$ 269,695</u>
Plan fiduciary net position as a percentage of the total pension liability	86.0%	72.4%	85.4%	75.5%	79.5%	84.0%
Covered payroll	\$ 398,773	\$ 402,472	\$ 298,385	\$ 274,271	\$ 263,041	\$ 325,027
Borough's net pension liability as a percentage of covered payroll	85.3%	159.4%	100.8%	177.1%	137.7%	83.0%

NOTES

This schedule will be expanded to show multi-year trends as information becomes available in the future.

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PMRS, the measurement period year-end is one year prior to the fiscal year-end. Information for 2021 was unavailable from PMRS.

BOROUGH OF ORWIGSBURG
Required Supplementary Information
Schedule of Employer Contributions – Pension Plans (Unaudited)
Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	20	20	-	-	-	-	462
Contribution excess (deficiency)	<u>\$ (20)</u>	<u>\$ (20)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (462)</u>
Covered payroll	\$ 425,126	\$ 215,701	\$ 383,353	\$ 291,937	\$ 203,808	\$ 218,600	\$ 278,611
Contributions as a percentage of covered payroll	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.17%
Non-Uniform							
	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contributions	\$ 134,987	\$ 134,987	\$ 95,174	\$ 89,726	\$ 87,578	\$ 94,219	\$ 92,683
Contribution in relation to the actuarially determined contributions	135,007	135,007	95,174	89,766	87,598	94,219	92,743
Contribution excess (deficiency)	<u>\$ (20)</u>	<u>\$ (20)</u>	<u>\$ -</u>	<u>\$ (40)</u>	<u>\$ (20)</u>	<u>\$ -</u>	<u>\$ (60)</u>
Covered payroll	\$ 398,773	\$ 277,953	\$ 402,472	\$ 298,385	\$ 274,271	\$ 263,041	\$ 325,027
Contributions as a percentage of covered payroll	33.86%	48.57%	23.65%	30.08%	31.94%	35.82%	28.53%

NOTES

Valuation Date:

Actuarial determined contributions rates are calculated as of January 1 for the odd valuation year at least two years prior to the end of the fiscal year in which the contributions were reported.

Methods and Assumptions used to Determine Contribution Rates:

Actuarial cost method	Entry age
Amortization period	Level dollar based on amortization period Act 205
Asset valuation method	Based upon municipal reserves
Discount rate	5.25%
Inflation	2.80%
Salary increases	Age related scale with merit and inflation component
COLA increases	3.0% for those eligible for COLA
Pre-retirement mortality	Males – RP-2000 with one-year setback Females-RP-2000 with five-year setback
Post-retirement mortality	Sex-distinct RP-2000 combined healthy mortality

Historical change in assumptions:

2015- Assumption changes reflect the liability impact of the Board of Trustees approved changes as of December 31, 2016.

2016 – Investment return assumption was decreased from 5.5% to 5.25%.

This schedule will be expanded to show multi-year trends as information becomes available in the future. Information for 2021 was unavailable from PMRS.

BOROUGH OF ORWIGSBURG
Required Supplementary Information
Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited)
Last 10 Fiscal Years

Other Postemployment Benefit Plan	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 4,738	\$ 4,611	\$ 1,781	\$ 1,733
Interest	1,888	1,698	1,601	1,496
Changes of benefit terms	-	2,969	-	-
Differences between expected and actual experiences	-	(2,860)	-	-
Changes of assumptions	-	1,051	-	-
Benefit payments, including refunds of employee contributions	(129)	(63)	(52)	(25)
Net change in total OPEB liability	6,497	7,406	3,330	3,204
Total OPEB liability - beginning	58,256	50,850	47,520	44,316
Total OPEB liability - ending	\$ 64,753	\$ 58,256	\$ 50,850	\$ 47,520
Covered payroll	\$ 449,245	\$ 449,245	\$ 225,988	\$ 225,988
Borough's total OPEB liability as a percentage of covered payroll	14.4%	13.0%	22.5%	21.0%

NOTES

Methods and Assumptions used to Determine Total OPEB Liability:

Actuarial cost method	Entry age normal
Investment rate of return	3.00%
Salary	2.75%
Mortality	RP-2014 Mortality Table with 50% Blue Collar Adjustment and rates set forward 5 years for disabled live.
Mortality improvement	Rates derived from the Long-Range Demographic Assumptions for the 2015 Social Security Administration's Trustee Report.
Withdrawal	None assumed
Retirement age	Age 50 with 12 years of service; 100% of participants are assumed to enter DROP at first eligibility and remain in the DROP for three years.
Participation	100% of eligible retirees are assumed to receive the full \$ 500 reimbursement throughout the eligibility period. Retirees not currently receiving the reimbursement are not assumed to opt in at a later date.

Historical change in assumptions:

2020- Assumed discount rate reduced from 3.25% to 3.00%.

Historical change in benefits:

2020- Eligibility was expanded to apply to all officers. (Previously only those hired before 1/1/2017 were eligible.)

This schedule will be expanded to show multi-year trends as information becomes available in the future.

OTHER SUPPLEMENTARY INFORMATION

BOROUGH OF ORWIGSBURG
Combining Statement of Net Position – Sewer Fund and Municipal Authority
December 31, 2021

	Enterprise Funds			
	Sewer	Municipal Authority	Eliminations	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 235,068	\$ 182,307	\$ -	\$ 417,375
Accounts receivable, net	240,614	-	-	240,614
Prepaid expenses	3,228	-	-	3,228
Total assets	<u>478,910</u>	<u>182,307</u>	<u>-</u>	<u>661,217</u>
Noncurrent assets				
Capital assets not being depreciated:				
Construction in progress	820,565	-	-	820,565
Land	-	39,532	-	39,532
Capital assets being depreciated:				
Buildings and system	1,611,930	-	-	1,611,930
Equipment	190,325	-	-	190,325
Sewer plant	-	8,257,139	-	8,257,139
Vehicles	44,854	-	-	44,854
Less accumulated depreciation	(235,737)	(5,003,871)	-	(5,239,608)
Restricted cash	<u>5,608,478</u>	<u>-</u>	<u>-</u>	<u>5,608,478</u>
Total noncurrent assets	<u>8,040,415</u>	<u>3,292,800</u>	<u>-</u>	<u>11,333,215</u>
Total assets	<u>8,519,325</u>	<u>3,475,107</u>	<u>-</u>	<u>11,994,432</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension liability	<u>51,412</u>	<u>-</u>	<u>-</u>	<u>51,412</u>
Total assets and deferred outflows of resources	<u>\$ 8,570,737</u>	<u>\$ 3,475,107</u>	<u>\$ -</u>	<u>\$ 12,045,844</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 29,678	\$ -	\$ -	\$ 29,678
Accrued wages payable	2,436	-	-	2,436
Accrued interest payable	73,412	-	-	73,412
Due to other funds	69,715	-	-	69,715
Long-term liabilities: Due within one year				
Bonds and notes payable, net	201,259	-	-	201,259
Capital lease payable	<u>5,935</u>	<u>-</u>	<u>-</u>	<u>5,935</u>
Total current liabilities	<u>382,435</u>	<u>-</u>	<u>-</u>	<u>382,435</u>
Noncurrent liabilities				
Long-term liabilities: Due in more than one year				
Bonds and notes payable, net	8,766,557	-	-	8,766,557
Net pension liability	<u>82,363</u>	<u>-</u>	<u>-</u>	<u>82,363</u>
Total noncurrent liabilities	<u>8,848,920</u>	<u>-</u>	<u>-</u>	<u>8,848,920</u>
Total liabilities	<u>9,231,355</u>	<u>-</u>	<u>-</u>	<u>9,231,355</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension liability	<u>78,113</u>	<u>-</u>	<u>-</u>	<u>78,113</u>
NET POSITION				
Net investment in capital assets	(933,336)	3,292,800	-	2,359,464
Unrestricted	<u>194,605</u>	<u>182,307</u>	<u>-</u>	<u>376,912</u>
Total net position	<u>(738,731)</u>	<u>3,475,107</u>	<u>-</u>	<u>2,736,376</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 8,570,737</u>	<u>\$ 3,475,107</u>	<u>\$ -</u>	<u>\$ 12,045,844</u>

BOROUGH OF ORWIGSBURG
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Sewer
Fund and Municipal Authority
Year Ended December 31, 2021

	Enterprise Funds			
	Sewer	Municipal Authority	Eliminations	Total
OPERATING REVENUES				
Charges for services	\$ 879,803	\$ -	\$ -	\$ 879,803
Total operating revenues	<u>879,803</u>	<u>-</u>	<u>-</u>	<u>879,803</u>
OPERATING EXPENSES				
Personal services	170,737	15,701	-	186,438
Contractual and professional services	63,938	7,000	-	70,938
Maintenance	47,111	-	-	47,111
Supplies and office expense	36,679	190	-	36,869
Insurance premiums	10,985	-	-	10,985
Utilities	55,700	-	-	55,700
Depreciation	60,210	154,917	-	215,127
Total operating expenses	<u>445,360</u>	<u>177,808</u>	<u>-</u>	<u>623,168</u>
Operating income (loss)	<u>434,443</u>	<u>(177,808)</u>	<u>-</u>	<u>256,635</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	2,688	16	-	2,704
Other nonoperating revenues	272	1,000	-	1,272
Gain/(loss) on sale of capital assets	(1,422)	-	-	(1,422)
Intergovernmental revenues (expenses)	(50,400)	50,400	-	-
Interest expense	(268,670)	-	-	(268,670)
Total nonoperating revenues (expenses)	<u>(317,532)</u>	<u>51,416</u>	<u>-</u>	<u>(266,116)</u>
Income (loss) before transfers	116,911	(126,392)	-	(9,481)
Transfers in	21,327	-	-	21,327
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	138,238	(126,392)	-	11,846
Total net position - beginning	<u>(876,969)</u>	<u>3,601,499</u>	<u>-</u>	<u>2,724,530</u>
Total net position - ending	<u>\$ (738,731)</u>	<u>\$ 3,475,107</u>	<u>\$ -</u>	<u>\$ 2,736,376</u>